

# Five principles for the pandemic

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As a global crisis, the COVID-19 pandemic demands a coordinated global response, both to contain the spread of the disease and to safeguard the economy. The challenge may be unprecedented, but governments can and should embrace certain guidelines.

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The COVID-19 pandemic has thrust the world into a health and economic crisis of a magnitude that few could have anticipated but that everyone must now confront – together. Unless all countries deepen global coordination and cooperation as much as possible, the social stability of the entire planet could be at stake.

On the economic front, many economists and policymakers seem to have convinced themselves that policies to boost effective demand will be sufficient to mitigate the downturn. In fact, the problem is much more complicated, and it will not be solved with the standard stimulus measures. Because reducing social interactions is crucial for mitigating the spread of the coronavirus, most people cannot go to work (unless they are in essential industries). And, because people are not working, they will have less (or no) incomes to spend. Under these circumstances, the fear that economic activity will continue to plummet is justified, but that outcome is unavoidable in the short term.

But just because our situation is unprecedented does not mean that we lack principles that can and should guide our actions as we move forward. To stop the pandemic and rescue the world's economies, we must abide by five in particular.

First, protecting health and human life is and must remain the number-one priority. Health is a global public good. To safeguard it, we must reduce the circulation of people and goods within our societies.

As we are already seeing, this society-wide imperative inevitably will reduce economic

activity. But the sooner we implement it in full, the sooner we will be able to restore the economy. Nothing can happen until COVID-19 has been defeated. In the meantime, we also must be bold in thinking about how to guarantee the supply of essential goods and services. In addition, we must assist the health-care providers who are trying to make do with extreme shortages of life-saving equipment for patients and personal protective equipment for medical staff. Respirators, ventilation machines, oxygen, and even simple face masks are in critically short supply in too many places. We must act decisively to alleviate these shortages, lest they lead to a broader loss of life and social stability.

The second principle is to protect those who are, or who might become, vulnerable to the disease, the economic freeze, or both. In the absence of policy interventions, changes in the composition of demand are forcing many households and individuals into desperate circumstances. Indeed, recently released monthly data for the United States show that the number of Americans filing for unemployment insurance has skyrocketed in the past two weeks. In countries with a large share of the working population employed in the informal sector and as such not covered by unemployment insurance – as is the case in Argentina – the need for protection is even larger.

Meeting the needs of the most vulnerable requires a three-pronged strategy. First, governments must provide cash transfers large enough to preserve a living income for all struggling households. Second, they must

extend traditional unemployment insurance so that laid-off workers do not fall into penury before the pandemic ends. And, third, they must protect existing employment by subsidizing jobs in sectors that are critically affected by the crisis but that will remain valuable for the economy when the crisis is over. Argentina is adopting these measures.

The third principle is to preserve the organizational capital (knowledge) embedded in ongoing enterprises. This is not the same as protecting profits or shareholders. The crisis demands policies geared specifically toward preserving the positive productive capacities and know-how within firms, both small and large. Observing this principle will be critical for avoiding a further deepening of inequality, ensuring the preservation of systems of accountability that are central to a market economy, and staging a broader recovery from the downturn.

Fourth, the research undertaken to address the COVID-19 crisis should be treated as a global public good. The scientific work toward a vaccine and other treatments will be critical for reining in the pandemic and restoring economic activity. But these therapies must be

made globally available at affordable prices. Hoarding valuable knowledge when countless lives are at stake is as unforgivable a moral crime as one can imagine. It is also counter-productive, given that we are all connected through the global economy.

The final principle is to think boldly. To provide liquidity at the global level, we must use the entire economic-policy toolkit – and experiment with new tools that might be added to it. For example, bilateral currency swaps between central banks in developing and advanced economies must be extended, and the International Monetary Fund’s Special Drawing Rights should be expanded to meet the challenge at hand – as proposed by the IMF’s Managing Director, Kristalina Georgieva, at the G20 Leaders’ Summit this week.

A global emergency requires decisive global policies. Argentina is prepared to do its part to help the world navigate through these difficult times. All countries and international institutions must stand together and act resolutely.

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